OXFORD ANALYTICA

BRAZIL

FISCAL TRANSPARENCY

Country Report 2005

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BRAZIL

COMPLIANCE RATINGS

Fiscal transparency	*2005*	*2004*	*2003*	*2002*
Clarity of roles	●●●●	●●●●	●●●●	--
Availability of information	●●●●	●●●●	●●●●	--
Budget preparation	●●●●	●●●●	●●●●	--
Accountability	●●●●	●●●●	●●●●	--
Score	**4.00**	**4.00**	**4.00**	--

OUTLOOK & COMMENTARY

Corruption allegations against government officials, congressmen, and ruling party leaders have dominated the political scene in the past year. Although the economy has not been seriously affected by the political crisis, changes to improve fiscal transparency practices have progressed at a slow pace. Efforts to improve the efficiency of the Budget Directives Laws and remove the current ambiguities within the Multi-Year Plans and Annual Budgets Laws framework are needed in the near term to introduce further transparency to the country's fiscal operations.

In order to improve the quality and efficiency of public investment, a pilot programme for selected projects has recently been established. A key challenge of this programme will be maintaining strong transparency within the context of fiscal operations. Initiatives under the public-private partnerships law passed in December 2004 are likely to improve the way in which the government works with the private sector in terms of transparency and fiscal responsibility.

EXECUTIVE SUMMARY

4.00 Compliance in progress

Brazil is a highly decentralised federation, with sub-national entities accounting for over one-third of total government spending and revenue collection. The structure and responsibilities of the government are well distinguished, both in legislation and in the production of fiscal data. The Fiscal Responsibility Law (LRF) establishes the quality requirements for fiscal data, which all levels of government are required to report. The lack of technical capacity and information at the sub-national level is still considered one of the most important obstacles to a successful and comprehensive strategy of fiscal transparency, although efforts continue to narrow this gap. In the past year, Congress enacted the public-private partnerships (PPPs) law following LRF principles.

Brazil's LRF requires the government to disclose a series of key documents containing fiscal information. These include: plans, budgets, and Budgetary Directives Laws; rendering of accounts and respective prior statements of opinion; Summary Budget Execution Reports and Fiscal Management Reports. Information on fiscal policy objectives is publicly available through the Ministry of Finance and in various official documents. Efforts to improve the country's complex tax framework remain a government priority, although reforms advance at a slow pace. The former Secretariat for National Revenue was renamed as the Federal Revenue and Customs Administration as part of an effort to improve management procedures for tax collection. The change occurred under a presidential provisional measure, and needs to be ratified by Congress before the end of 2005.

There are no extra-budgetary funds or expenditures in Brazil, since budgets include the operations of all non-financial public sector institutions. Contingent liabilities are reported in the *Fiscal Risk Annex* (FRA) of the annual Budget Directives Law, which has been recently revamped to include a more user-friendly reporting system. Assessments of fiscal sustainability are not provided with the annual budget. The unification of the management of domestic and external debt in the National Treasury has been completed during this year, in line with recommended best practices for public debt management. Debt reporting documents, namely the *Annual Public Debt Report* and the *Annual Borrowing Plan*, have consolidated their roles as relevant reference tools.

Congressional activity has decreased significantly in the past year owing to corruption allegations against government officials, congressmen and the governing Workers' Party leaders. This situation has slowed down the country's reform agenda, and some debates on pending reforms seem to be at a deadlock. The National Audit Court undertakes external auditing of fiscal activity at the federal level, enjoying a reputation for probity. Audit reports are sent to Congress, as well as to the Attorney General's Office for prosecution, if appropriate, and are published in the *Official Gazette*.

Brazil's overall score is unchanged from last year.

1. Clarity of Roles, Responsibilities and Objectives

●●●● Compliance in progress

The government sector should be distinguished from the rest of the public sector and from the rest of the economy, and policy and management roles within the public sector should be clear and publicly disclosed.

Structure, functions, and responsibilities of government

The structure and responsibilities of the government are well distinguished, both in legislation and in the production of fiscal data. General government data are divided into three groups: central government (including the National Treasury and Social Security), 27 state governments, and a representative sample of 250 (of the 5,560) municipal governments.

Brazil is a highly decentralised federation, with sub-national entities accounting for over one-third of total government spending and revenue collection. The responsibilities of each level of government are defined in the 1988 Constitution of Brazil. All regional authorities have their own directly elected legislative and executive branches, and an independent judiciary. The federal government has limited control over sub-national tax administration, budget formulation, execution and oversight, and has limited say in wage and investment policies.

The constitution also defines the roles and responsibilities of the executive, judicial, and legislative branches of all levels of government in the budgetary process. At the federal level, the constitution requires the preparation of three budgetary instruments: the Multi-Year Plans (PPAs), Budget Directives Laws (LDOs), and Annual Budgets Laws (LOAs).[1] Drafts of these documents are prepared by the executive branch and submitted to the legislature. Congress reviews and discusses the drafts and may amend them as necessary. Finally, the judiciary plays a role in budget oversight.

Coordination and management of budgetary activities

The coordination of budgetary activities, and particularly the distribution of tax and expenditure powers, is addressed under Article VI of the constitution. However, there is a lack of clarity in some areas, as some expenditure responsibilities have been devolved unsystematically. In particular, there remains significant overlapping and duplication in various areas of public spending such as transport, water and sanitation. A non-mandatory coordination pact ('Pacto do Concertação') was approved along with the 2004-2007 Multi-Year Plan in order to eliminate gradually this duplication in spending powers. In practice, little progress has occurred. The states of Santa Catarina and Ceara have entered a pilot programme to strengthen their management procedures and reduce overlapping in public spending. Additionally, the state of Minas Gerais has improved its management and budgetary process in the past year.[2]

Discussions to increase budget flexibility are in progress, including the reduction of current ceilings in expenditure in sensitive areas such as healthcare services.

Relations between government and public sector agencies

The relationship between government and public sector agencies is set out in the constitution. A Committee for the Management of Federal Public Financial Institutions, which is subordinate to the Ministry of Finance (MoF), is in charge of state-owned financial institutions.[3] State-owned enterprises (SOEs), including Petrobras (one of the last major federally owned companies and the national oil producer), are under the supervision of the Department of Coordination and Management of State-Owned Enterprises that is part of the Ministry of Planning, Budget, and Management (MoP). This department is in charge of supervising and regulating the SOEs as well as disclosing financial information about their performance.[4] It makes information publicly available and updates it regularly. Information includes federal companies privatised since 1990, together with contact information for state and federal enterprises, and information on state and federal agencies classified by sector and activity.

Relations between the government and the central bank -- Banco Central do Brasil (BCB) -- are governed by Law No. 4.595 of 1964 and its subsequent amendments. Brazil's central bank is not legally independent, but in practice enjoys ample operational autonomy. The ultimate policy objective is to ensure the separation of monetary and fiscal policies.

The Regulatory Agencies Consolidation Bill (PL 3.337/2004) -- prepared by the government and submitted to Congress -- includes non-simultaneous, fixed four-year terms for directors (with the possibility of a second term), with the term of presidents of agencies expiring in the second year of the term of the country's president. The creation of an ombudsman's office in every agency and the creation of performance agreements ('Contratos de Gestão') establishing operating targets for the agencies are also included in the government's project.

In order to improve the quality and efficiency of public investment, Brazilian authorities have proposed a pilot programme for selected public investment. The programme -- developed with the assistance of the IMF, the WB and the IADB -- will provide additional financial resources, equivalent to about one billion US dollars a year over three years (2005-2007) for infrastructure and other public investment projects that have potentially strong macroeconomic and fiscal payoffs over the medium term, consistent with a sustainable fiscal stance. Budgetary funding of the projects will be linked to implementation of the improved procedures, increasing the likelihood that the investments will be completed on schedule. In the past year, some problems have surfaced in the selection and implementation of investment projects under this programme, owing to the lack of human resources in key selected areas like transportation. Additionally, the bidding process for some projects has been judicially challenged, resulting in delays.[5]

The Brazilian authorities intend to evaluate the pilot programme at the end of 2005, to learn from the experience with the new procedures, and to progressively extend them to other public investment. Public availability of information will be disseminated through *Pilot Programme Reports*. Concerns remain regarding how far this initiative will be able to improve management practices and fiscal transparency within the investment areas selected.

Government involvement in the private sector

The Brazilian government retains significant equity holdings in some sectors, particularly the oil sector, electricity generation, water and sanitation, and airport administration, as well as in the financial sector (Banco do Brasil, Caixa Econômica Federal, Banco Nacional de Desenvolvimiento Econônico, among others). Government equity ownership is reported in the annual reports of these companies, but there is no single comprehensive list of all government equity holdings. A detailed account of the National Treasury's equity holdings is available on its website.[6]

The Brazilian Institute of National Statistics and Geography (IBGE) publishes information on the structure of receipts, expenditure, and investments of public enterprises by nature and economic activity at the regional as well as the federal, state and municipal level of government. It presents analysis of the main results, focusing on some indicators of the financial situation of these entities and the role of subsidies in the performance of business activities.

In late December 2004, Congress enacted Law No. 11.079 on public-private partnerships (PPPs) -- ventures in which state and central governments will take on financial risk to encourage private sector investment. The government's focus on modernising Brazil's infrastructure and implementing a prudent mechanism for PPPs -- preserving debt sustainability and following Fiscal Responsibility Law principles -- is likely to improve the country's involvement in private sector initiatives.[7] In addition, the law contains important provisions to align subsidies and safeguard the fiscal accounts.

The law establishes the framework for the bidding and contracting of PPPs at the federal, state and municipal levels, and promotes the principles of efficiency, transparency, and fiscal responsibility that must govern the system. The PPPs regime has to comply with pre-established budget principles. Since the timeframe for most of the projects is quite long, no project may be considered if not previously included in the Brazilian PPAs or in the LOAs. In addition, a provision must be made for expenses budgeted for the following year as specified in the Budget Law. A PPP project may only be considered after the presentation of an estimate of the financial impact during the fiscal years in which the contract will be in effect.[8]

The PPPs law establishes that projects must be preceded by public consultation giving the affected community an opportunity to express its concerns and preferences. In addition, the new law specifically creates a managing body that will monitor the projects as well as control the fund that will be created to guarantee the payment of contracts. Pending supplementary regulations to the PPPs legal framework are likely to clarify current ambiguities in the law, notably the accounting structure.[9]

There should be a clear legal and administrative framework for fiscal management

Legal framework for budgetary activities

There is a clear administrative framework for fiscal management in Brazil, provided by the 1988 Constitution and by the Fiscal Responsibility Law (LRF). The LRF regulates inter-governmental fiscal relations, and contains guidelines on the management of state revenues, imposes limitations on sub-national government spending, and prohibits certain fiscal activities, such as the issue of central bank debt securities and credit or rescheduling operations among the various levels of government.

Approved by Congress in May 2000, the LRF aims to control sub-national debt, impose fiscal discipline and improve fiscal transparency and reporting. Sub-national finances have shown a marked trend towards fiscal restraint over the past 20 years. The LRF is part of the institutional framework that has emerged since the 1990s to bring about this shift. However, despite efforts to address long-standing problems, the LRF still has important shortcomings. The penalty structure is fragmented and dispersed, with no clear definition of accountability.[10] Some commentators have said the Senate, with ultimate oversight functions, remains particularly susceptible to politicisation. However, some progress has occurred in the enforcement of LRF's principles, mainly because of the imposition of both individual and institutional sanctions. According to some analysts, greater budget flexibility could help provide more resources for priorities such as infrastructure and social spending and allow for better quality fiscal adjustment.[11]

Legal framework for taxation

Article 153 of the constitution defines the federal government's power of taxation, while Article 154 allows for additional taxes to be instituted.[12] The constitution is explicit about the division of tax revenues, assigning specific tax bases to each level of government and creating a system of tax sharing that redistributes revenue among levels of governments and regions. Under the National Tax Code, each tax must have an explicit legal basis. Also, all contributions, fees, and duties require an explicit legal basis.[13]

Tax reform has been one of the top priorities of the new administration. In late 2003, the government's proposed tax reform was approved in a second-round vote in the Senate. The bill, which suffered substantial modifications during the negotiating process, was originally expected to reduce bureaucracy, tax evasion, and the inefficient tax competition among states. However, few commentators disagree about its limited impact on Brazil's notoriously complex tax system, and on reducing cumulative indirect taxes.[14] The reform maintains the financial transactions tax (CPMF) and compensates states for revenues lost owing to exemptions on export products.

The tax law provides for the consolidation of a value-added tax on goods and services (ICMS) imposed by each state under its own law into just five, uniform tax rates. However, unification of the ICMS -- scheduled for 2005 -- has been postponed to 2007 owing to state governors' resistance. Given the delays in the unification of the ICMS, the implementation of a broad-based national value-added tax -- contemplated in the 2003 reform -- will not occur in the near future.

Brazil is currently taking measures to simplify the tax regime for small businesses, thereby reducing incentives to operate in the informal sector. In late 2004, the Investment Account was created, in order to exempt the transfer of funds across financial investments from the tax on financial transactions. Consequently, investment funds and other investments are given similar treatment, enhancing competition in the investment funds industry. The conversion of a social security contribution ('Contribuicao para o Financiamento da Seguridade Social-COFINS') into a non-cumulative tax is one of the main achievements of the 2003 reform. New COFINS legislation allows taxpayers to use credits from previous transactions in the supply chain, thus transforming the actual tax base from turnover to value-added.

In February 2004, representatives from all states signed the non-binding 'Brazilian Charter', aimed at simplifying the tax systems among the country's states and providing a more homogeneous legal framework. Discussions on how to further simplify -- and eventually unify -- the state-level value-added tax continue, but little progress was achieved in the past year.

The Secretariat for National Revenue (SNR) has recently been renamed as the Federal Revenue and Customs Administration (FRCA).[15] The change followed presidential provisional measure 258 of July 21, 2005. This regulation (which needs to be ratified by Congress before the end of this year) aims to reorganise and improve the federal tax administration by centralising the management of tax collection from the Social Security Agency (INSS) and the SNR in one agency. The move was conceived to increase oversight and efficiency of the system overall. The consolidation of this mechanism will provide better management, reduce operational costs, simplify procedures for the users and improve tax collection.

The FRCA has a high-quality website with information on tax legislation, tax identification, tax declarations, and a taxpayer's guide.[16] Online information also includes a monthly tax schedule, enhancing the transparency of tax operations and disbursements at the national level. Information on state and municipal tax revenues is available on an annual basis.

Ethical standards for public servants

Ethical standards for public servants are outlined in various pieces of legislation. The 1994 Code of Professional Ethics for Federal Public Servants is publicly available and regulates professional behavioural standards for all civil servants. In addition, the 1990 Statute for Civil Servants, applicable to all public employees, sets out individual rights and responsibilities and establishes disciplinary procedures. Sanctions and penalties for officials are further detailed in the Fiscal Crimes Law of 2000. This law applies to officials from all branches of government and, among other measures, details penalties for individuals who engage in credit operations without due legislative authorisation, who extend loan guarantees without adequate collateral, or who increase personal expenditures in the last 180 days of their period in office.

The Code of Conduct for Senior Federal Government Officials (CCAAF) is applicable to about 700 government officials who conduct public debt management. The code clarifies ethical rules for this category of officials, establishes rules regarding conflicts of interest, and places limitations on professional activities undertaken after leaving office. A Public Ethics Commission (CEP) was set up to implement the CCAAF, but it has limited powers. Upon entry into service, all public officials must also supply a declaration of assets as required by the CCAAF.

In 2005, a ministerial act created the Code of Conduct for the National Treasury. The aim of this code is to strengthen staff internal operations, including meetings with investors, rules concerning the purchase of public debt bonds, and disclosure of information.[17]

In 2004, corruption allegations affected the head of the Congressional Relations Office, Waldomiro Diniz -- a high-ranked official within the office of the president's chief of staff. Diniz managed the government's relations with Congress, a crucial post in 2003 given the need to secure a legislative majority and win approval for key tax and social security reforms. Diniz was removed from office in February 2004 following allegations that, during his tenure as head of the Rio de Janeiro lottery board, he had solicited campaign donations from a local boss of the illegal 'numbers' gambling game. Although this case involved wrongdoing prior to, and outside of, the current federal government, suspicions have been raised that Diniz was also being paid to influence the outcome of other gaming regulations.[18]

Overall, during the past year corruption allegations against government officials and congressmen have dominated the political scene. In addition, the governing Workers' Party (PT) has faced accusations ranging from illegal payments to legislators to fraudulent transfer of funds abroad. The congressional committees (CPIs) investigating corruption cases published in September a report recommending the expulsion of 18 legislators allegedly involved in a bribes-for-votes scheme devised by the PT. While 17 are accused of bribe taking, one -- Jose Dirceu, who resigned his ministerial position in June as chief of staff to President Lula da Silva and returned to the Lower House -- is alleged to have organised the scheme. The president of the Lower House, Severino Cavalcanti, also resigned over bribery allegations. Investigations have been conducted within the framework of constitutional and legal provisions, and emphasis has been placed on allowing institutions to fulfil their allocated role in the political -- and judicial -- process.

2. Public Availability of Information

●●●● Compliance in progress

The public should be provided with full information on the past, current and projected fiscal activity of government.

Central government operations

The passage of the Fiscal Responsibility Law (LRF) in 2000 greatly increased the quality and quantity of fiscal data that all levels of government are required to report. Fiscal data are disseminated for revenues, expenditures, financing (divided into external financing and domestic financing), and also for various other aggregates generated by the activity of public administrations in each region of the federation. In addition, the 2004-2007 Multi-Year Plan (PPA) has renewed the country's commitment towards fiscal transparency practices.[19]

Since 2001, a *Fiscal Management Report* has been published three times a year, with consolidated information on debt, credit operations, human resources allocations and social security figures. In addition, an annual *Consolidated Fiscal Accounts Report* is available during the first semester of the following year. The reliability of figures included in this reports has improved in the past year.

Reporting of previously unrecorded liabilities, popularly known as 'skeletons', has progressed considerably in the past two years. The most important liabilities recognised include those accumulated by the Housing Mortgage/Insurance Subsidy Fund (FCVS) and those related to the recapitalisation of federal banks on account of past losses resulting from quasi-fiscal activities. The recognition of these liabilities has added about 2.3% of GDP to the national debt. By 2006, additional unrecorded liabilities will be incorporated into official debt figures and will add at least 0.7% of GDP each year to the debt.[20] The recently enacted PPPs law establishes adequate institutional mechanisms to avoid generating further liabilities.[21]

Contingent liabilities have been reported by all levels of government in the *Fiscal Risks Annex* (FRA) of the annual Budget Directives Law since 2001. The LRF requires governments to assess the likelihood that those liabilities will turn into actual ones. The bulk of contingent liabilities relate to pending court cases involving issues such as losses incurred by several sectors due to government-imposed price freezes under past stabilisation plans and interest penalties paid on tax arrears since 1996.[22] The resolution of these cases could eventually lead to an increase in the public debt. Some commentators said there is little publicly available information regarding substantial court claims submitted by the airline industry. In the past year, following the National Audit Court's recommendations, efforts have been made to improve the FRA, including a user-friendly reporting of 'skeletons'. Outstanding unrecorded liabilities come from small state enterprises and social security.[23]

Despite its limitations, the 2003 social security reform represents an important step towards modernising the state. The reform cut public spending, reduced the inequality between public and private sector pensions, and provided for the development of new savings instruments.[24] However, some commentators maintain that the modifications made to guarantee the bill's passage have reduced its impact on the pension system deficit.

Different government institutions have engaged in a programme of developing information systems in order to improve its infrastructure and the skills of its technical staff. The programme has the support of the Fiscal and Financial Management Strengthening Project (PROGER), which is partly financed with World Bank resources. The objective of this project is to modernise government activities in the fiscal and financial sectors, while improving the quality of public services.

Public sector operations

There are no extra-budgetary funds or expenditures in Brazil, since budgets include the operations of all non-financial public sector institutions. Quasi-fiscal operations of state-owned enterprises are reported by the entities concerned, and these have declined substantially in recent years. Quasi-fiscal activities (QFAs) have been largely eliminated, and in those that remain the subsidy component is now captured in the budget through explicit transfers.[25] Transparency is lower at the sub-national level, but QFAs that remain at this level of government are also very limited.

Despite efforts to assess and report the government's liabilities, it is ironic that little has been done to improve the valuation and reporting of national assets. All levels of government possess a variety of real assets, including real estate, construction, and even works of art, which have not been accurately valued and are not yet reflected in national accounts.[26]

Sub-national governments

The state of sub-national accounts is of special importance in a highly decentralised federation such as Brazil. One of the key elements of public service spending is the rise in municipal governments, whose number has increased by over 1,500 -- to about 5,560 -- since 1998. During the 1990s, sub-national fiscal behaviour contributed to the deterioration of public sector accounts. In 1997, a programme was launched to rescue the states' bonded debt. After consolidating the liabilities of 25 (out of 26) state governments and the Federal District, the federal government assumed these liabilities through the issuance of federal securities. Rigorous fiscal discipline and increased transparency was then imposed on the states through the LRF and through debt restructuring agreements between the central government and each individual state.[27] The LRF limits personnel expenses as a percentage of current net revenue, to 50% at the federal and 60% at the state and municipal levels. At the same time, this law prohibits the federal government from lending to sub-national governments, and sharply limits its ability to renegotiate debt. The LRF also prohibits governors and mayors from contracting payment obligations within the last six months of their administrations.

Despite the fact that some advances have been made in the past year, the lack of technical capacity and information at the sub-national level is still considered one of the most important obstacles to a successful and comprehensive strategy for fiscal transparency. The Deputy Secretariat for States and Municipalities within the MoF continues working with states and municipalities in order to provide technical support to apply the LRF and improve the frequency and quality of fiscal reporting. However, given the number of sub-national fiscal units, central government's efforts to provide adequate human and technical resources nationwide could take several years.[28] Commentators highlighted that smaller states and municipalities have been able to better comply with fiscal transparency standards, improving the timely disclosure of information and its reliability.

Since 2001, the National Treasury has been publishing consolidated public sector accounts based on the submissions of states and municipalities. Together, these records provide for an official account of the public sector's overall consolidated revenues and expenditures. The 2004 version of the *Consolidated Fiscal Accounts Report* includes consolidated data for all 26 state governments, the Federal District and 65.2% of municipal governments.[29] The number of municipalities submitting consolidated accounts has been decreasing since 2003 and penalties established under the LRF are not being applied.[30]

The National Treasury monitors the public finances of state governments in order to verify the annual accomplishments of the specific multi-annual state fiscal adjustment programmes, which are periodically revised as mandated by the Law 9.496/97. Revisions include the verification of the achievement of targets and the definition of new targets and actions that the state should take for the next three years. Additional information on sub-national fiscal activities is provided on the Treasury's website in a special section for the states and municipalities. During the past year, this section has improved the quality and quantity of information available, including data on annual adjustment programmes, fiscal debt indicators, and voluntary and compulsory transfers made by the central government. In addition, the National Treasury has started publishing guidelines and recommendations for municipal fiscal management ('Gestão de Financas Municipais') in order to help improve fiscal management operations at a sub-national level.[31]

Following the LRF, a Fiscal Management Council ('Conselho de Gestão Fiscal') should have developed a set of uniform standards for the elaboration of the sub-national budgetary guidelines. However, operational problems and the lack of a representation mechanism for the different municipalities have delayed the creation of the council, and the prospects of establishing it have decreased in the past year. Until a comprehensive agreement is found, the National Treasury is responsible for the definition of accounting rules.

A commitment should be made to the timely publication of fiscal information.

Brazil subscribes to the IMF Special Data Dissemination Standard (SDDS).[32] Data are disseminated in reais (R$) on the general government operations.[33] The official Brazilian statistics exclude privatisation revenues from total revenues. The primary fiscal balance is consolidated and calculated for each level of government. Data are prepared by the National Treasury's Secretariat and are disseminated online in Portuguese.[34] Aggregate central government data are published in a monthly press release and in the *Central Bank Bulletin*. Data on central government are compiled on a cash basis whereas data for state and municipal governments are compiled on a cash basis for revenues and an accrual basis for spending.

Brazil's LRF requires the government to "widely disclose, even in electronic public media" a series of key documents containing fiscal information.[35] These include: plans, budgets, and Budgetary Directives Laws; rendering of accounts and respective prior statements of opinion; Summary Budget Execution Reports and Fiscal Management Reports; and the simplified versions of these documents. Almost all the information contained on the BCB website is available in both English and Portuguese, while the information on the ministries of planning and finance is available mainly in Portuguese.

Brazil's continuous progress in improving the quality of fiscal accounts information has been possible thanks to LRF enforcement. The period of lag in dissemination has been reduced. However, some commentators mentioned that even though the MoF publishes fiscal information for the last five years, the absence of a regular time-series report represents an obstacle to comparing information from different fiscal periods.[36]

The *Monthly Treasury Report* provides timely and up to date information of central government accounts and budget execution, debt information, and transfers made to sub-national levels of government.[37] In the past years, the amount and quality of information publicly available through these reports has been increased. Overall, the amount of information available -- especially in Portuguese -- has substantially improved.

Debt Reporting

Under the LRF, the MoF is required to maintain a centralised and updated electronic record of internal and external public debt and must guarantee public access to the information. This information must include charges and contracting conditions as well as updated balances and limits for consolidated and securities debt, credit operations, and guarantees. In addition, the MoF must disclose on a monthly basis the list of states and municipalities that have exceeded the established limits of consolidated and securities debt.[38]

Starting in January this year, the management of external debt has been fully transferred from the BCB to the National Treasury. All management stages of both domestic and external debt, including the establishment of guidelines and strategies, risk management, market decisions and budgetary controls are now centralised at the Treasury. The transition process has been conducted smoothly, with close collaboration between both institutions, and has increased efficiency in debt management -- including medium and long-term planning -- and information disclosure. The administration of the federal external public debt is now bound by the Senate resolution No. 20/2004, which has granted greater flexibility to the Treasury. In order to cope with the new responsibilities, human resources at the Debt Management Team within the MoF have increased in the past year.[39] An operational desk at the Front Office has recently been created in order to strengthen external debt operational responsibilities.

The *Annual Borrowing Plan* (PAF), published by the National Treasury at the beginning of the fiscal year, is increasing consolidating itself as a strategic planning tool and comprehensive assessment of public debt management. The increasing amount of information publicly available through this report -- published both in Portuguese and in English -- has enhanced transparency and predictability. The PAF provides a detailed analysis of the Treasury's goals and guidelines, sets out the annual borrowing -- including quantitative targets -- and discuses risk management for the public debt. Additionally, analyses on qualitative goals -- achievements or underperformance -- are discussed in this report.

Since 2004, the MoF publishes the *Annual Public Debt Report* (PDAR). This report has been praised by market participants and independent experts as a suitable complement to information published in the PAF. Comparisons between year-end targets and outcomes, risk implications, domestic and external macroeconomic scenarios are available. Following debt centralisation at the National Treasury, the 2005 version of the PDAR will broaden its scope, increasing its efficiency as a relevant tool for market participants. Publication of the PAF and the PDAR is not a legal requirement, although the government has renewed its commitment towards transparency with the strengthening of these information tools.

The National Treasury and the BCB publishes, on a monthly basis, detailed information on the level and composition of the net debt of the general government, as well as indicators of average maturity and duration of the securitized debt stock issued by the National Treasury and the central bank by type. Timely information is available in Portuguese, with an English version posted a few months later.[40] The central bank publishes statistics on a monthly basis covering the uses and sources of financing of government operations, for all levels of government and the consolidated public sector. In order to have reliable information, the BCB request directly from the creditors the amount of debt at a state and municipal level, which in turn is made publicly available. Debt management and reporting at a sub-national level has been increasing in recent years. The LRF is perceived to have weakened Senate control over sub-national debt, assigning greater control to the Treasury.[41] Oversight of all multilateral borrowing is currently being consolidated in the Treasury, out of the hands of the individual ministries.

A document on the country's federal public debt -- available on line and updated every week -- discloses information on public debt management, including recent events that affect both the domestic and external public debt. Efforts are underway within the Ministry of Finance -- and especially within the Investor Relations Group -- to submit debt information not only in the required technical language, but also in a less technical format that can be understood by the general public.

Advance release calendars

In accordance with its commitment to the IMF SDDS, the BCB and the MoF disseminate advance release calendars for fiscal information. These provide approximate publication dates one year ahead, and precise release dates one quarter in advance.

3. OPEN BUDGET PREPARATION, EXECUTION AND REPORTING

●●●● Compliance in progress

Fiscal policy objectives, macroeconomic framework and risks

Fiscal policy objectives

Information on fiscal policy objectives is publicly available through the MoF and in various official documents. Brazil has increasingly moved towards multi-year, output-oriented budgeting. The government's Multi-Year Plan (PPA) is designed to integrate the government's long-term development goals with short- and medium-term objectives. The PPA has a four-year outlook, and it is revised yearly to reflect any changes in macroeconomic projections. Its framework is gradually inducing changes in federal public administration leading towards a performance-based management structure. However, some commentators have pointed out that, given the amount of annual corrections and updating made to the PPAs, their use as a medium-term planning tool is becoming more limited.[42]

The 2004-2007 PPA provides more comprehensive and detailed information than previous editions and has been elaborated to strengthen planning at the programme level. Revenues and expenditures projected for the period are analysed, including an estimation of where the resources to finance the programmes will come from.[43] Programmes included in the 2004-2007 PPA are presented in a format comprises a social dimension, an economic, environmental and regional dimension, and a democratic dimension.[44]

The spending requirements and objectives of the PPAs are supposed to be reflected in the yearly Budget Directives Law (LDO), which provides guidelines and direction for the final yearly budget and is presented to the Congress six months before the government's draft budget. The LDOs contains important fiscal information, including annexes on fiscal risks and on fiscal revenue and expenditure targets for the current and subsequent two years. In the past years, the LDOs have been used as medium-term planning instruments to communicate government priorities.

The Annual Budget Law (LOA) contains the details of the budget programme for the year. While legislation requires that the LOA be consistent with the objectives of the PPA and with the LDOs, some commentators believe that, in practice, there are several shortcomings. Also, the IMF and other analysts have observed that actual budgetary appropriations have frequently been lower than those specified in the budget programme, thus weakening the correspondence between approved budgets and actual disbursements.[45] The LOA only authorises expenditures, but does not make them compulsory, and the government -- while prevented from reallocating resources within budgetary programmes -- can legally decide to spend less and increase its savings.

During this year, the government has started a complete revision of the LDO, in order to improve its efficiency and avoid current ambiguities and confusions with the PPA and the LOA. A task force has been working since September 2005, and preliminary results are expected before the end of the year. Final results are provisionally scheduled for submission to Congress in 2006. Even though big changes to the budgetary legal framework cannot be expected, commentators suggested that changes could improve coherence and management.[46]

A priority for the current government is increasing the levels of public participation in the setting of budget objectives and priorities. The government is trying to build three networks -- a deliberative network inside the government, an action network that will include public managers, and a civil society network, that includes representatives from academia and the media. Following the publication of *Public Management towards a Socially Inclusive Brazil*, the design of this initiative has become clearer. However, doubts remain as to whether these groups will have a significant, active role in the budget process.[47]

Macroeconomic framework

The broad macroeconomic framework is partially described in the presentations section of the MoF's website and on the macroeconomic section of the Ministry of Planning, Budget, and Management (MoP) website. New budget programmes are clearly identified on these websites, with that of the MoP providing comprehensive and detailed information. The macroeconomic framework is revised on a bi-monthly basis, with the updated assumptions being sent to Congress. During 2005, the government's commitment to public debt sustainability and compliance with the fiscal objective in the Budget Guidelines Law was reinforced by the creation of four-month targets for the primarily surplus.

Fiscal Risks

The LRF requires that all levels of government evaluate contingent liabilities and other risks that may affect public accounts. They must also detail the measures to be taken should these risks materialise. The risks assessments are contained in the *Fiscal Risk Annex* of the annual LDOs. In order to harmonise procedures to report fiscal risks at the different government levels and departments, the *Fiscal Risks Report Guidelines* ('Manual de Elaboração de Anexo de Riscos Fiscais e Relatório de Gestão Fiscal') is prepared and updated on a regular basis.[48] The use of these guidelines has been increasing in the past year and is reflected in the increasing quality of methodologies used to prepare the *Fiscal Risk Annex*.

Macroeconomic projections included in the LDOs are considered reliable. The LDOs for 2005-2007 -- sent to the Congress in April 2004 -- fulfilled for the first time a requirement of the LRF regarding the inclusion of separate annexes describing the actuarial projections of the Social Security System for public servants and projections of the benefits under the Social Assistance Organic Law (LOAS). The reports also include a detailed description of fiscal benefits conceded by the government and the financial standing of the Worker Support Fund (FAT).

Concerns about insufficient coordination and integration between the *Fiscal Risks Annex* of the LDO and the final budget law are in the process of being considered in the ongoing discussion to improve the LDO. While the inclusion of fiscal risks assessment is a positive step, a comprehensive assessment with the implications of the fiscal risks identified, and an accompanying strategy to address them, is not yet reflected in the budget document itself.

Fiscal Sustainability

Assessments of fiscal sustainability are not provided with the annual budget. However, both the National Treasury and the BCB prepare studies on fiscal sustainability, which are publicly available. World Bank documents also provide detailed discussions of Brazil's fiscal sustainability.[49]

In March 2005, Brazil announced that it would not renew its agreement with the IMF. Brazil has consistently over-performed on the core objectives of its IMF-supported programmes, particularly those related to the primary surplus. Additionally, Brazilian authorities announced in June 2005 their intention to repay early the outstanding Supplemental Reserve Facility obligations to the IMF.

Budget Presentation

Data reporting

The budget and accounts classification distinguishes between revenue, expenditure, and financing. Expenditure is further classified by economic, functional, and administrative categories. Budget documentation provides detailed information of budgetary programmes and important progress has been made regarding the presentation and detail of the information publicly available. Brazil's executive budget documents, however, provide no information about expenditures and revenues in the prior budget and the years before that, making it difficult to put current budget proposals into context.[50]

Budget Execution and monitoring

Procedures for the execution and monitoring of revenue and expenditure are clearly specified in the LRF (Section IV) and on the MoF website. Budgetary allocations that are not used during the fiscal year cannot be redistributed and are put in a separate account.

The government's bi-monthly review of the fiscal targets has consolidated its role as a useful government tool aimed at enhancing transparency. The review is used to communicate the achievement of targets, to explain the reasons why expenditure and revenue evolution followed a different trend than those projected, and to describe why some targets were not achieved. In addition, the government indicates revenue and expenditure changes that it will adopt in order to guarantee the accomplishment of the LDOs targets.

During this year, the fifth edition of the *Fiscal Management and Budget Execution Report Guidelines* ('Manual de Elaboração do Anexo de Metas Fiscais e Relatório Resumido da Execução Orçamentária') has been released.[51] These guidelines are increasingly being used by states and municipalities in conducting their fiscal operations and have improved the homogeneity and amount of fiscal information available at a sub-national level. Guidelines are updated on an annual basis.[52] Commentators agree on the strengthening of fiscal data since states and municipalities have started to use the guidelines prepared at a national level.

In-year reports provide no information on revenues and little information on borrowing. Although released in a timely manner, the executive's year-end reports lack the detail necessary for them to be useful in comparing enacted levels with actual outcomes.[53] During 2005, the monthly *Budget Execution Report* has increased the amount of information publicly available, including budget execution at a functional level, and current and capital expenditures.

The government is currently working on the establishment of a management and planning system ('Sistema de Informações Gerenciais e de Planejamento -- SIGPlan') in order to improve budget execution. Once this system becomes fully operational, monitoring of budget execution will be publicly available.[54] Additionally, information publicly available on budget execution at a programme level will be enhanced. Financial budget execution has improved in those areas of government working with SIGPlan and efforts are currently being made to merge different SIGPlan phases developed in the past years.

Accounting basis

The Federal Accounting System is established under Decree 3589 of 2000. Additionally, Law 10.180 of 2000 grants the National Treasury powers to exercise national accounting operations. The Treasury website provides a detailed description of Brazil's Integrated Financial Administration System (SIAFI), the accounting system of the federal government. Monitoring of government transactions has increased over the last few years, due in part to increasing utilisation of information technology. In 2004, work on an updated version of the current system -- identified as SIAFI 21st Century -- commenced, with the aim of allowing better monitoring of the multi-year programme-based budgetary process. However, due to a lack of funding, this has been temporarily suspended. Given the fact that the current system -- although becoming obsolete compared with today's technological standards -- is fully reliable in allowing timely and accurate expenditure control, the delay in the implementation of SIAFI 21st Century has not created major problems for the government's financial accountability framework.

Internal audit procedures are outlined on the website of the Federal Internal Supervision Secretariat, the agency responsible for auditing and programme evaluation. Central government accounts are compiled on a cash basis, whereas state and municipal data are compiled on a cash basis for revenues and on an accrual basis for expenditures. Despite Treasury efforts to unify the system of accounting at all levels of government, ambiguities remain. Personnel levels are largely measured in similar ways, but there remain issues with the way in which the concepts of pensions are treated across states -- some of which have largely privatised their state pension funds, while others have not.[55]

Procurement and employment

Goods and services are purchased by the government according to comprehensive procurement regulations outlined in Law 8.666 of June 1993. Details of all relevant legislation, auction results, and procedures for electronic auctions are available online.[56] Tenders are updated every day for national government agencies. Information publicly available includes contact details of the relevant government department.

The MoF website includes details of human resource management objectives and programmes. In addition the 2004-2007 PPA includes special programmes to train officials in public finance. The *Public Management Development Programme* -- to be coordinated by the National Public Administration Office (ENAP) -- will focus on building capacities in public management.

Fiscal Reporting

The authorities regularly report to the legislature and the public on budgetary and extra-budgetary out-turns. Under Article 166 of the Brazilian Constitution and the LRF, the executive branch of government is required to present and evaluate the compliance with fiscal targets every four months in a public hearing before the legislature. The hearings are held in May, September, and February of each year and quarterly reports are made available. State and municipal governments must also appear before their legislative bodies and present similar reports.[57] The MoF website includes details of these presentations, as do the online budgets presented on the website of the MoP. Results of major budgetary programmes are also submitted to Congress. Final budgetary accounts are presented to the legislature in the annual 'Message to Congress'. Additionally, a group of consultants working for Congress ('Consultoria de Orçamento') supervise budgetary execution.

Although the technical capacity in Congress to assess fiscal information has improved in recent years, little progress is perceived regarding the exercise of its constitutional role of evaluating public spending.[58] In addition, no institutionalised public spending review system is yet in place.

Congressional activity has decreased significantly in the past year owing to corruption allegations against government officials, congressmen and PT leaders. This situation has slowed down the country's reform agenda, and debates on pending reforms seem to be at a deadlock.[59] Some commentators suggested that the current government has become a 'caretaker' administration and little changes could be expected in the short term.[60]

4. ACCOUNTABILITY AND ASSURANCE OF INTEGRITY

●●●● Compliance in progress

Data quality standards

Commentators and international organisations have reviewed positively the quality of Brazilian fiscal data. Information publicly available -- both at the national and sub-national level -- is considered reliable by its users. In addition, commentators agree on the ongoing improvement of fiscal data at a sub-national level, although they also warn of 'skeletons' in some municipalities.[61] The National Treasury Secretariat internally crosschecks fiscal data disseminated by the BCB under Brazil's SDDS commitment.

Independent scrutiny of fiscal information

Independent Audit

The National Audit Court (TCU), which undertakes external auditing of fiscal activity at the federal level, enjoys a reputation for probity. The president appoints three of its nine members, with Congress appointing the remainder. The TCU has constitutional power to judge and impose penalties on budget organisations for irregularities, errors, abuses, mismanagement, and waste of public resources. Audit reports are sent to Congress, as well as to the Attorney General's Office for prosecution, if appropriate, and are published in the Official Gazette[62] and on the TCU website.[63] At the regional level, the state and municipal audit courts (TCEs) review fiscal reports, although with less operational capacity and technical resources available. TCE reports are not always publicly available. The General Corrector's Office (CGU) conducts investigations into public officials' infractions against federal funds or assets. Twenty municipalities selected at random are audited by the CGU every year.

Independent analysis of fiscal forecasts is encouraged, and the BCB publishes and rates third-party projections by investment banks and analysts. The government has taken the initiative to call representatives of the private sector, think thanks, and civil society to meet in an informal gathering known as the Economic Development Council. Occasionally, some issues regarding fiscal policy have been brought for discussion to this council, but owing to the high number of participants and lack of statute for its function, no concrete progress has been achieved.

National Statistics Agency

The Brazilian Institute of National Statistics and Geography (IBGE) compiles a wide variety of statistical information, including fiscal and macroeconomic data.[64] It reports to the MoP, but enjoys effective operational autonomy and has a solid reputation for its impartiality and reliability. Its legal framework establishes that the IBGE should make all its statistical information available free of charge. The IBGE compiles and produces the basic data on general government statistics, taking into consideration the System of National Accounts methodology. Consolidated information on national accounts is available with some delay. IBGE helps in the compilation and systematisation of fiscal data at the sub-national level, which can be obtained in electronic format. Additionally, it prepares a Survey of Basic Municipal Information that analyses the administrative organisation, finance and environmental management of municipalities.[65] The latest edition will be released in December this year, bringing information about the public administration of the 5,560 municipalities existing in Brazil in 2004. An advance released calendar for statistical information is made available to the public on the IBGE website.

INTERVIEWS

Representatives of *Oxford Analytica* interviewed the following individuals during a visit to Brazil between 18 and 19 October 2005:

Ministry of Planning, Budget and Management

18 October 2005

Antonio Henrique Silveira	Deputy-Chief	Economic Department

National Treasury, Ministry of Finance

18 October 2005

Otavio Ladeira de Medeiros	Deputy-Head of Department	Public Debt Management Unit
André Proite	Analyst	Public Debt Management Unit

Banco Central do Brasil

19 October 2005

José Pedro Fachada	Executive Manager	Investor Relations
Katherine Hennings	Adviser	

ADDITIONAL INTERVIEWS

18 October 2005

Fernando A. Blanco Cossio	Economist	World Bank Brasilia Office
Aércio S. Cunha	Legislative Consultant	Brazilian Congress

19 October 2005

Mauricio Mota Saboya Pinheiro	Senior Analyst	Institute for Applied Economic Research
Waldery Rodrigues	Economist	Institute for Applied Economic Research

NOTES

[1] Federal Constitution of 1988, Article 165.
[2] Interviews in Brazil, 18-19 October 2005.
[3] Public sector financial agencies include the Caixa Econômica Federal, Casa da Moeda do Brasil, Serviço Federal de Processamento de Dados, Banco do Brasil S/A, and the IRB - Brasil Resseguros S/A.
[4] See www.planejamento.gov.br/controle_estatais/conteudo/competencia/dest.htm
[5] Interviews in Brazil, 18-19 October 2005.
[6] See www.tesouro.fazenda.gov.br
[7] Interviews in Brazil, 18-19 October 2005.
[8] The PPPs legal framework requires that relevant contracts may not exceed R$ 20 million (approximately 8.5 million US dollars) with a minimum term of 5 years but a maximum length of 35 years. The long term established for the contracts is an advantage over the traditional Brazilian systems of public-private endeavors that usually demand an immediate cash disbursement by the government. Moreover, the law requires that in any type of PPP contract the public administration share be limited to 70% of the total project and the private share may not be less than 30% except if there is the participation of pension plan funds, public entities or state-controlled companies, in which case this ratio may be 80/20.
[9] The IMF perceives the lack of internationally accepted accounting and reporting standards for PPPs as a possible obstacle to the development of efficient partnerships, and observes that its staff has to work with the relevant accounting bodies to promote preparation of such standards. The IMF recognises that, in developing these standards, careful consideration should be given to appropriate ways of reflecting the fiscal risks posed by PPPs in the government's accounts. Some commentators have suggested that Brazil still needs to overcome the operational difficulties resulting from the current rules governing the relationship between government agencies and private entities.
[10] According to some commentators the LRF's breach by the municipality of San Paulo in the past year represents a good example of the law's shortcomings in its punishment structure.
[11] 'IMF Survey', Vol.34, No.7, IMF, April 2005, available at: www.imf.org
[12] Federal Constitution of 1988, Articles 153-4.
[13] Following the enactment of Law No.11.101 on bankruptcy procedures in February 2005, marginal changes to the National Tax Code have been introduced through Supplementary Law 118/05. This law only incorporates corresponding changes to harmonize procedures with the new bankruptcy legislation.
[14] Interviews in Brazil, 18-19 October 2005.
[15] As it was the case with the SNR, the new agency operates under the Ministry of Finance.
[16] Federal Revenue and Customs Administration, available at: www.receita.fazenda.gov.br
[17] 'Code of Conduct for the National Treasury', available at: www.stn.fazenda.gov.br/hp/codigo_etica.asp
[18] See 'Corruption Scandal Undermines Government', *Oxford Analytica Daily Brief*, April 20, 2004.
[19] The latest PPA also sets out Brazil's commitment to universal access to electronic information, but this goal is unlikely to be met in the near future.
[20] "Programme Document for a Proposed Second Programmatic Fiscal Reform Loan (Fiscal Responsibility and Tax Reform)", World Bank, May 14, 2003.
[21] Interviews in Brazil, 18-19 October 2005.
[22] The listing of pending court cases as potential liabilities in the *Fiscal Risks Annex* does not affect the outcome of the cases. The federal government is committed to defend the legality of its actions and has recently improved the strategy before the courts, reducing the amount of loss cases. The listing is aimed at providing a better understanding of potential fiscal pressures.
[23] Some commentators remarked that current corruption investigations against members of congress and officials of the ruling Workers' Party are trying to demonstrate that some state enterprises could have been the source of financing of these practices. No conclusive investigation has yet demonstrated this, but the hearings continue.
[24] The pension reform, which provoked widespread public sector protests, raised the retirement age, caps public sector pensions and imposes an 11% tax on pensions above 1,440 reais. The pension system generated a deficit of 4.3% of GDP in 2002, and the government anticipates that the reform will save some 40 billion reais over the next 20 years.
[25] 'Brazil: Report on Observance of Standards and Codes (ROSC) – Fiscal Transparency Module', International Monetary Fund, December 2001, and Interviews in Brazil, 18-19 October 2005.
[26] Interviews in Brazil, 18-19 October 2005.

[27] States regularly pay their debt service obligations to the National Treasury as established in the debt renegotiation contracts of 1997. Failure to pay is punished by the Treasury. When the State of Rio de Janeiro stopped servicing its debt, federal transfers were suspended and not resumed until the State restarted its debt service payments.
[28] Interviews in Brazil, 18-19 October 2005.
[29] *Consolidated Fiscal Accounts Reports*, available at:
www.tesouro.fazenda.gov.br/hp/lei_responsabilidade_fiscal.asp
[30] Interviews in Brazil, 18-19 October 2005.
[31] Municipal Fiscal Management operations and guidelines available at: www.stn.fazenda.gov.br/gfm/
[32] IMF Special Dissemination Standard (SDDS) – Brazil, at:
http://dsbb.imf.org/Applications/web/sddscountrycategorylist/?strcode=BRA
[33] The data on the centralised and decentralised administrations are added after exclusion of intra-governmental transfers (paid and received), in order to eliminate double accounting.
[34] See www.tesouro.fazenda.gov.br
[35] Fiscal Responsibility Law (Supplementary Law 101 of May 4, 2000), Article 48.
[36] Interviews in Brazil, 18-19 October 2005.
[37] *Monthly Treasury Reports* (Resultado do Tesouro Nacional), available at:
www.tesouro.fazenda.gov.br/hp/resultado.asp
[38] Fiscal Responsibility Law (Supplementary Law 101 of May 4, 2000), Articles 31 and 32.
[39] The Debt Management Team has attracted highly qualified staff using incentive systems such as financing post-graduate studies and providing training opportunities through seminars and workshops. In addition, foreign experts have been hired to act as advisors to the team. BCB officials have also helped in the training of human resources to cope with the new responsibilities.
[40] *Domestic Federal Public Debt and Open Market Operations Monthly Press Release*, available at:
www.tesouro.fazenda.gov.br/hp/relatorios_divida_publica.asp and www.bcb.gov.br/?DOMESTIC
[41] Interviews in Brazil, 18-19 October 2005.
[42] Interviews in Brazil, 18-19 October 2005.
[43] Programme projections are divided into: 1) Self-sufficient; 2) Public Policy and Administration; 3) Service-related; and 4) Administrative.
[44] Following the approval of the 2004-2007 PPA, the government has been working on public management transformations, aimed at reducing the country's institutional deficit and boosting governance, thus achieving more efficiency, transparency, participation, and high levels of ethics. The key goals of these initiatives were made publicly available during 2004 in the MoP report *Public Management towards a Socially Inclusive Brazil*.
[45] 'Brazil: Report on Observance of Standards and Codes (ROSC) – Fiscal Transparency Module', International Monetary Fund, December 2001, and Interviews in Brazil, 18-19 October 2005.
[46] Interviews in Brazil, 18-19 October 2005.
[47] The 2004-2007 PPA was prepared with the participation of more than 2,000 non-governmental organisations. Nevertheless, public participation in the budget process is still limited to isolated initiatives.
[48] The 5th edition of the Guidelines for 2005 is available at:
www.tesouro.fazenda.gov.br/legislacao/download/contabilidade/ManualRGF5.pdf
[49] See 'Brazil: Stability for Growth and Poverty Reduction' Report 25278-BR, The World Bank, 2003.
[50] 'Opening Budgets to Public Understanding and Debate', The International Budget Project, October 2004.
[51] Available at: www.tesouro.fazenda.gov.br/legislacao/download/contabilidade/ManualRREO5.pdf
[52] Until the integration of the Fiscal Management Council, the National Treasury will continue to rely on these guidelines as a tool to bring more coherence to sub-national fiscal information. States and municipalities are not legally bound by the guidelines -- which in theory should be approved by the Council -- but sub-national governments have increasingly been using them.
[53] 'Opening Budgets to Public Understanding and Debate', The International Budget Project, October 2004.
[54] SIGPlan website, available at: www.sigplan.gov.br/v4/appHome/
[55] 'Fiscal Responsibility Law Curbs Spending', *Oxford Analytica Daily Brief*, June 21, 2004.
[56] Federal Government Procurement website, available at: www.comprasnet.gov.br
[57] Fiscal Responsibility Law (Supplementary Law 101 of May 4, 2000), Article 9.
[58] Interviews in Brazil, 18-19 October 2005.
[59] The latest political crisis -- mainly involving the PT and hence the government -- exposed the fragile nature of the Brazilian legislature. Although formally a key independent institution of the Brazilian state, in practice it fails to operate effectively in the absence of executive initiative.

[60] Interviews in Brazil, 18-19 October 2005.
[61] Previously unrecorded liabilities have emerged following an improvement in the systematisation of information in several municipal governments.
[62] Official Gazette, available at: www.in.gov.br
[63] National Audit Court, available at: www.tcu.gov.br
[64] Brazilian Institute of National Statistics and Geography, available at: www.ibge.gov.br/english/default.php
[65] The Survey received the 2005 Habitat Scroll of Honour Award from the United Nations Human Settlements Programme.